

should be maintained, but that in future if an emergency arose requiring an increase in the amount of fiduciary currency, this should not involve a breach of the law, but should be made legal (as it is now under the Currency and Bank Notes Act of 1914), subject to the consent of the Treasury.

It is not proposed at present to secure the circulation of paper instead of gold by legislation. The Committee considers that "informal action on the part of the banks may be expected to accomplish all that is required." If necessary, however, it points out that the circulation of gold could be prevented by making the notes convertible, at the discretion of the Bank of England, into coin or bar gold. The amount which, in the opinion of the Committee, should be aimed at for the central gold reserve is £150 millions (a sum which is already almost in sight: on its figures quoted above) ; and "until this amount has been reached and maintained concurrently with a satisfactory foreign exchange position for a period of at least a year" it thinks that the policy of reducing the uncovered note issue "as and when opportunity offers" should be consistently followed. How this opportunity is going to "offer" is not made clear; but presumably a **reflow** of notes from circulation can only happen through a fall in prices or a reduction in bank deposits by the liquidation of advances made to the Government.

directly or
indirectly, by the banks.

Concerning the difficult problem of
replacing the
Bradbury notes by Bank of England
notes of
£1 and 10s., an ingenious suggestion is
made by the